

Meeting: Legal Services Board

Date: 29 November 2022

Item: Paper (22) 60

Title: LSB Draft Business Plan and budget 2023/24

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Status: Official

Purpose of the paper

1. This paper sets out a proposed draft business plan for 2023/24 and proposed annual budget, in advance of public consultation.

Recommendation

2. The Board is invited to:
 - a) **discuss and agree** the draft business plan (Annex A) and draft consultation document (Annex B).
 - b) **agree** to consult on the basis of a provisional annual budget for 2023/24 of £4.679m (an increase of £392k (9.1%) on our 2022/23 budget of £4.287m); and
 - c) **delegate authority** to the Chief Executive for approval of final minor changes prior to publication.

Background

3. In March 2021 we published the sector-wide *Reshaping Legal Services* strategy, which has a golden thread to reshape legal services to better meet society's needs.¹ It is underpinned by the regulatory objectives and identifies nine challenges facing the legal sector that need to be overcome across three themes: fairer outcomes, stronger confidence and better services. This includes challenges to dismantle barriers to a diverse and inclusive profession at all levels; ensure high quality legal services and strong professional ethics; and empower consumers to obtain high quality and affordable services.
4. The strategy also identified priority areas of focus and activities for the first three-year period through to the end of 2024. Over the past two years, we have launched and completed a wide array of work to address the challenges we identified. This includes, for example, revising our regulatory performance

¹ LSB, 'Reshaping Legal Services: A sector-wide strategy' (March 2021)
https://legalservicesboard.org.uk/wp-content/uploads/2021/03/Strategy_FINAL-For-Web2.pdf

assessment framework to ensure the regulatory objectives are at the heart of regulatory decision-making; setting new ongoing competence expectations so that consumers can trust that legal professionals remain competent throughout their careers; and improving consumers' access to information, promoting their rights, and driving choice in the legal services market.

5. Many activities in our 2022/23 business plan² will continue into 2023/24, reflecting the scale of our work and the resources required to effectively deliver and embed the changes that will deliver fairer outcomes, stronger confidence and better services for consumers. We have also identified several proposed new projects that will continue to drive momentum across the sector in support of the strategy. We know that cross-sector collaboration is crucial to maintain this momentum and we will work together with a broad range of stakeholders in delivering our 2023/24 business plan.

Draft business plan 2023/24

6. In preparing the draft business plan, we considered our current workstreams, outputs from the Board's September 2022 strategy session, business cases for proposed new projects, and whether any rules, guidance or policies in the LSB's current framework require review or evaluation.
7. We will continue with the following ongoing work:
 - a) **Discharging our statutory functions**, including taking statutory decisions and overseeing the performance of the regulators, the Solicitors Disciplinary Tribunal and the Office for Legal Complaints.
 - b) Establishing the role of regulation in upholding the **rule of law and professional ethics**.
 - c) Advancing our work on **equality, diversity and inclusion** to remove barriers to a diverse and inclusive profession.
 - d) Ensuring regulators' approaches to **disciplinary and enforcement processes** build public confidence and uphold standards.
 - e) Identifying policy options to ensure regulators have effective **financial protection arrangements** for consumers.
 - f) Promoting **technology** for access to legal services through new guidance.
 - g) Reviewing the LSB's current policy framework to ensure it is fit for purpose by considering changes to rules and guidance on **first tier complaints** and **education and training**.
8. We propose to undertake the following new workstreams:
 - a) **Market surveillance**: we will develop our understanding of key market developments that affect the sector and its consumers. We will review our existing datasets and identify new sources of information to inform LSB policy-making. We will undertake enhanced horizon scanning to identify relevant incidents and risks to the sector.

² LSB, 'Business Plan 2022/23' (March 2022) <https://legalservicesboard.org.uk/wp-content/uploads/2022/03/LSB-Business-Plan-202223-FINAL.pdf>

- b) **Consumer vulnerability:** we will make the case for a strategic approach to vulnerability and user design in legal services, by seeking consensus with regulators on principles for best practice.
 - c) **Review of LSB enforcement policy:** we will review and update our statement of policy on taking enforcement action. We will ensure we are making full use of our regulatory levers to promote the regulatory objectives and that the policy aligns with our regulatory approach.
 - d) **Evaluation of our Internal Governance Rules (IGR):** we will evaluate the operation and effectiveness of the rules and guidance, a commitment we made when we implemented the current IGR in 2019.
9. Two key areas of focus next year will be ensuring that the revised regulatory performance framework is implemented effectively and that regulators deliver against our policy statements on consumer empowerment and ongoing competence. The increased resource allocated for regulatory performance and market surveillance will support us in these efforts.
10. During 2023/24, we will continue curating the strategy, including organising the second annual LSB conference. As part of the business planning process for the following year, we will identify sector priorities for the next three-year strategic cycle (2024-27) so our efforts are focused on activities that will have the greatest impact for consumers.
11. We also expect that enhanced horizon scanning will allow us to gain a more thorough understanding of key issues affecting society and how these impact the legal services sector and consumers. In particular, we expect to develop our knowledge base on the impacts of climate change and the costs and benefits of associated regulatory interventions. This will help inform our thinking on activities for the next strategic cycle.

Proposed budget 2023/24

12. The budget has been developed in two stages. In September and October 2022, the Board and ARAC considered an initial high-level budget proposal for 2023/24 and requested further work to develop more detailed budget scenarios.
13. The executive has since undertaken a rigorous exercise to develop detailed projections of 2023/24 costs, reflecting our proposed business activities, including the impact of inflation on research and other external costs, headcount resource requirements, changes to business operations and further opportunities for efficiency savings.
14. This has resulted in a proposed 2023/24 budget of **£4.679m**, which was considered in detail and approved at an ARAC meeting held on 15 November 2022. This would represent an increase of 9.1% (£392k) on last year's budget (£4.287m). It equates to a £2.11 increase on practising fees paid by authorised persons (based on April 2022 ATP volumes of 185,503). Adjusting for inflation (October 2022 CPI 11.1%), this is a real term reduction in budget of 2.0%.
15. In preparing the draft budget, we have been mindful of the difficult economic conditions in wider society, and the consequent pressures on the legal services

sector. In the current climate, we consider that it is vital that consumers can rely on continued high standards of regulation. It remains important for us to make progress against the challenges we identified in the Reshaping Legal Services strategy.

16. In order to deliver this work, it is necessary for us to require additional resources, although this is a budgetary decrease in real terms. We consider that all of the work that we are proposing will bring benefit to consumers and professionals, from seeking an inclusive-design approach to support consumers in vulnerable circumstances, to ensuring the rule of law is upheld and professional ethics maintained across the sector. We consider that the proposed budget will be necessary and sufficient to deliver what is proposed in the draft business plan.

Next steps

17. We plan to launch a public consultation on the draft business plan and budget for a minimum eight-week period. We will present a final business plan and budget to the Board for approval in March 2023.

Risks and mitigations	
Financial:	Funding is guaranteed through the levy. The Executive and ARAC consider that, based on the available information, the proposed business plan can be delivered within the proposed resources.
Legal:	The documents have been developed with input from our legal team. They are consistent with our powers under the Act.
Communications and engagement:	We will hold a consultation event in January to allow stakeholders to provide comments on our proposals, which we will take account of when finalising the business plan and budget.
Equality and diversity:	We are proposing to continue our dedicated workstream on equality, diversity and inclusion and will consider appropriate links with other projects.
Resource:	The draft business plan and budget have been informed by a resource planning exercise for the proposed policy and research projects.

Annexes

Annex A – Draft business plan 2023/24

Annex B – Draft business plan 2023/24: Consultation document

Freedom of Information Act 2000 (Fol)		
Para ref	Fol exemption and summary	Expires
Annexes A, B	Section 22: Information intended for future publication	Date of publication